

Specified Superannuation Contribution Withholding Tax (SSCWT) is the tax deducted from any contribution to a superannuation fund that an employer makes for an employee's benefit.

A superannuation fund is a scheme that has been registered under the Superannuation Schemes Act 1989.

SmoothPay provides support for SSCWT as follows:

- Aggregates employer contributions, and calculates the SSCWT on those amounts
- Aggregates the employee's contributions (if any)
- Provides for specified SSCWT rates per employee to override the prevailing rate
- Provides for detailed reports in Standard Reports, as well as Allowance/Deduction History, IR346 and SSCWT period reporting
- Generates consolidated or individual Direct Credit transactions for the superannuation contributions for payment to the superannuation fund, per pay period (added to the direct credit file)

The Superannuation Subsidy Options

The IRD Employers Guide (IR 335) discusses the various options available:

- Treating the employer's contribution as taxable income for the employee (this is NOT subject to SSCWT), and
- Treating the employer's contribution as SSCWT – this in turn can be taxed at a standard 33% rate, or at a varying rate at the discretion of the employer, based on the employee's annual income.

This document briefly covers how you could establish the "taxable income" method, but deals specifically with the recommended SSCWT method.

Taxing contributions at the employee's personal tax rate (not subject to SSCWT)

This method can only be by agreement of the employer is NOT RECOMMENDED.

The reason's are:

- that this inflates the employee's gross taxable earnings,
- the PAYE is deducted as per any other type of allowance,
- and, last but not least, because it affects the employee's gross earnings, it is subject to means testing should the employee require dole or Family Support payments, and it also causes the employee's Child Support deductions (if any) to be calculated on the inflated Gross pay.

However, you can easily implement this method in SmoothPay as follows (note, this method is not recommended):

- Create a superannuation group scheme
- Add an allowance for the employer's subsidy, which is optionally linked to the group scheme, to the employee's Pay Input
- Add an "Employer Calculation" deduction using the same calculation rules as the subsidy allowance, linked to the superannuation group scheme
- Add an optional employee contribution deduction, also linked to the superannuation group scheme

As long as there is a valid bank account number in the group scheme record, a Direct Credit entry for the total employer and employee deductions will be created in the direct credit output file when you finish the pay.

Doing it the recommended SSCWT way

Effectively, the SSCWT is all accomplished outside of the payroll, however it wouldn't be the most convenient way, so SmoothPay provides special options and processes to cater for the job.

The next section explains in detail how to establish an SSCWT processing system.

Setting up SSCWT processing

- Tick the SSCWT processing option in Company Setup:

The screenshot shows the 'Company and Payroll options Setup' dialog box with the 'Options' tab selected. The 'Country' is set to 'New Zealand' and 'Timeclock type' is 'None'. The 'SSCWT and IR346' checkbox is checked and circled in red. Other options include 'Easy read screens', 'Print options', and 'Send payslips by email'. The 'Casual employee leave charged to' dropdown is set to 'Default cost centre (as per Ledger Setup)'. Buttons for 'Save', 'Cancel', 'Print', 'Ledger setup', 'Registration', 'Security', 'Tax rates', 'ACC Premiums', 'Startup Options', and 'Email Setup' are visible on the right.

Without this setting, any and all SSCWT processing will probably be ignored.

- Create a Group Scheme for your superannuation scheme.

The screenshot shows the 'Group Scheme Maintenance' dialog box. The 'Description' is 'Superannuation Scheme' and the 'Scheme management company' is 'Superannuation Investments Limited'. The 'Reference' is 'CDS'. The 'Bank Account #' is '01-0102-0211888-00'. A note states: 'NOTE: Employee membership details are entered during pay input'. Buttons for 'Locate', '< Back', 'Ewd >', 'New', 'Del', and 'Exit' are at the bottom.

- Create an "employer" super subsidy ALLOWANCE, in this example it's 5%, calculated as Earnings * Rate. You can use the Fine Tuning options you require to tailor which earnings are included in the calculation.

Link it to the superannuation Group Scheme.

Make sure the Tax Option is set to SSCWT (this will automatically set the "Employer calc" flag – you cannot change it).

Allowance Maintenance

Allowance code: Inactive
 Description:
 Tax option: Non-accruing
 Method of calculation:
 Prorated?: (apportioned over cost centres for work done)
 Group scheme:

GST method: (applies only to regd employees)
 Stop GST to GL?: (set only if GST has already been accrued in GL)

Employer calc: (set if this is to be treated as an EMPLOYER calculation only - does not affect employee's net pay)

NOTE: Rates/amounts are entered when this code is used during pay input. You may wish to link to a group scheme to pay a reducing balance allowance

The subsidy amount will automatically adjust based on the employee's earnings. The following screen shows suggested settings for *Fine Tuning* exactly which earnings are eligible for subsidy:

Fine Tuning

Calculation includes...

<input checked="" type="checkbox"/> Ordinary time	<input checked="" type="checkbox"/> Taxable allowances	<input type="button" value="OK"/> <input type="button" value="Set all"/> <input type="button" value="Set to default"/> <input type="button" value="Clear all"/>
<input type="checkbox"/> Overtime	<input type="checkbox"/> Non-taxable allowances	
<input type="checkbox"/> Double time	<input type="checkbox"/> Extra- <u>emolument</u> allowances	
<input checked="" type="checkbox"/> Annual leave	<input type="checkbox"/> Retirement allowances	
<input checked="" type="checkbox"/> Sick leave		
<input checked="" type="checkbox"/> Public Holiday		
<input checked="" type="checkbox"/> Special leave		
<input checked="" type="checkbox"/> Time in lieu		
<input checked="" type="checkbox"/> ACC		

Choose which categories are to be included for calculation purposes
 Grayed out entries (if any) are not applicable to the calculation method

- Now, add a deduction to be used for the employee's contribution:

Deduction Maintenance

Deduction code: Inactive

Description:

Method of calculation:

Group scheme:

GST method: (applies only to regd employees)

Stop GST to GL? (set only if GST has already been accrued in GL)

Ledger account:

Employer calc: (employer calculation only - does not affect employee's net pay. Useful for subsidies etc)

NOTE: Rates/amounts are entered when this code is used during pay input

Choose an appropriate calculation method – it too could be based on a percentage of contributing earnings, or an amount per period (as shown) etc.

If you need to, you can override the prevailing rate of SSCWT tax calculated on the employer's contribution for any employee by using Edit Employee..More Tax settings:

Employee Tax Options

IRD number: Tax code:

Special tax rate: You should set these if the employee's taxcode is Withholding, or they wish to pay a higher percentage of tax and/or student loan. Tax rate must include earner levy (if any).

Special student loan rate:

SSCWT rate: Prevailing SSCWT rate is .33%

Tax elective: You should set this if your employee wishes to have extra-emolument earnings taxed at a higher than normal rate.

NOTE: The rate used here takes effect for ALL prior SSCWT deductions as well – the SSCWT rate used at the time the contributions was made is not stored in transaction history. If changing rates, make sure it applies for the entire period.

Making it all work

Making it all work is pretty easy too:

- ❑ Add the ESUPER allowance and the SUPER deduction to qualifying employee's Standard Pay entries, and they'll then automatically receive a calculated subsidy (which because it's an Employer Calc will not affect their gross pay), and a suitable deduction as their own contribution (which does affect their net pay).
- ❑ If the SSCWT rate is required to be less than the current rate (33% at present), you can set it per employee in the *Edit Employee..More Tax Settings* screen).
- ❑ The Employer Schedules can (and should) be produced during *Standard Reports*, and will list each employee and their gross subsidy, SSCWT and net subsidy amounts.
- ❑ The *Allowance/Deduction Schedules* (also produced in *Standard Reports*), will list every employee's own contribution.

- ❑ These reports can be reproduced at any time, for any period range, from the Reports list (*Employee Reports..Allowance Deduction History*), so providing you with a means of collecting/proving the SSCWT totals and contributions for any period range.
- ❑ The additional SSCWT and Contributions Report provides a listing of all employee contributions, employer subsidy, SSCWT rate and deductions and net contributions to the superannuation scheme. The report can be produced for all pay days in any selected month and is available from the IRD Schedules report group.
- ❑ If you have an account number set up in the superannuation Group Scheme, and you're using SmoothPay to generate your direct credit file, then the direct credit file will INCLUDE employer calculated SSCWT allowances (the net amount after deduction of the SSCWT), as well as the employee contributions.
- ❑ The monthly (or twice-monthly) IR346 will show the SSCWT calculated from the employer's contributions.

Feel free to contact our HelpDesk if you have any questions or suggestions for improving this HelpNote.